

Rescission Questions and Issues

1. Basis for Calculating Rescission. According to the legislation, the rescission is to be based on “each State’s share of unexpended balances as of June 30, 2001.” As of June 30, 2001, each State could have had unexpended balances remaining from its PY 1998, PY 1999, and PY 2000 allotments.

The sum of unexpended formula-allotted funds from only the two most recent years’ allotments will be the basis for rescission calculations. Because congressional intent is to reduce PY 2001 funding based on the availability of unspent prior year funds for PY 2001 activities, ETA will utilize the sum of unexpended formula-allotted funds from PY 1999 and PY 2000 allotments as the basis for rescission calculations. Although PY 1998 funds are technically available for expenditure as of June 30, 2001, any such unexpended funds will not be available for expenditure during PY 2001 and will not be included in the “unexpended balance” for rescission purposes.

2. Impact on NRA and NEG funds. Congressional intent is use a different allocation methodology for applying the rescission than the formula contained under WIA. Discretionary projects funded through the National Reserve Account and National Emergency Grant processes are not affected. Such projects are awarded when formula-allotted resources are not sufficient to respond to specific layoff events.

Costs originally incurred under an NRA or NEG grant may not be re-booked against formula funds. ETA Regional staff will review States’ financial reports to ensure that use of NRA/NEG funds is not affected by the rescission.

3. Cost limits. The administrative cost limits will apply to the revised allotment levels.
4. Distribution of Reserve Funds. At the National Office level, the 5 percent cap on Technical Assistance and Training funds will apply to the revised (post-rescission) reserve fund amount. For PY 2001, the 10 percent cap on DW demonstration projects has been waived by Congress.
5. Distribution of Within-State DW Allotments. The Conference Report states, “The conferees note that the Governors of each State under the Workforce Investment Act have the authority to re-allocate unobligated funds among local areas. The conferees encourage the Governors to exercise this authority for local areas where there is need.” Neither the bill nor the report contains further guidance about how the impact of the rescission is to affect distribution of DW funds within a State. The within-State distribution of DW funds will follow the statutory requirements:

1. a minimum of 60 percent of each States’ revised DW allotment will be provided through formula allocation to local areas;

2. a maximum of 15 percent of each States' revised DW allotment will be used for Statewide activities as authorized under WIA Sections 128(a) and 133(a)(1); and
 3. a maximum of 25 percent of each States' revised DW allotment will be used for Statewide rapid response activities as authorized under WIA Section 133(a)(2).
6. Outlying Areas. Allotments to outlying areas are capped at 0.25 percent of the dislocated worker appropriation. The maximum amount of DW funding available for outlying areas drops from \$3,975,100 to \$3,531,350. At the higher level, \$486,685 of the outlying area DW funds supported competitive grants to those areas totaling \$1,000,000.
- Our current plan is to apply the \$443,750 reduction in DW funding for outlying areas entirely to the competitive grants.
7. Timing. The rescission will be applied to the July 1, 2001, allotments and announced no later than September 30, 2001. The FY 2002 portion of the PY 2001 allotment will become available on October 1, 2001.
8. Intertitle transfers. Local areas have authority to transfer up to 20 percent of their DW formula funds to the adult program.

Intertitle transfers approved by the relevant Governor no later than June 30, 2001, are to be reflected in the financial reports for the period ending June 30, 2001.